

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

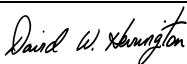
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

State of Michigan
41-B Judicial District Court

Financial Report
with Supplemental Information
December 31, 2006

State of Michigan 4 I-B Judicial District Court

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Independent Auditor's Report

To the Judges
State of Michigan
41-B Judicial District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary fund information of State of Michigan 41-B Judicial District Court, which collectively comprise the Court's basic financial statements, as of and for the six months ended December 31, 2006. These financial statements are the responsibility of the State of Michigan 41-B Judicial District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the fiduciary fund information of State of Michigan 41-B Judicial District Court and the respective changes in financial position thereof for the six months ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic statements of the State of Michigan 41-B Judicial District Court. This information has been subjected to the procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



To the Judges
State of Michigan
41-B Judicial District Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moreau, PLLC

August 21, 2007

State of Michigan 4 I-B Judicial District Court

Management's Discussion and Analysis

Our discussion and analysis of the State of Michigan 4 I-B Judicial District Court's (the "Court") financial performance provides an overview of the Court's financial activities for the six months ended December 31, 2006. Please read it in conjunction with the Court's financial statements.

The Court is a joint venture of the Charter Townships of Clinton and Harrison and the City of Mount Clemens. The Court became independent on July 1, 2006; therefore, comparable financial information is not presented. Its financial activities are comprised of two major functions - general operational activity and bond transactions. Operational activity is reported in a General Fund and bond activity is reported in a Fiduciary Fund.

Using this Annual Report

This annual report consists of three general sections - management's discussion and analysis (this section), the basic financial statements, and required and other supplemental information.

The basic financial statements consist of three financial statements and the notes. The governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities include information about the Court's General Fund under the modified and full accrual method. These financial statements focus on the financial position of the Court at December 31, 2006 and provide a more detailed view of the activity and accountability of the Court's sources and uses of funds.

The Fiduciary Funds - statement of assets and liabilities includes information about the Court's bond money held at December 31, 2006. This amount is a liability of the Court as it is owed to defendants who have not yet appeared before the Judge. Once the defendant has appeared, bond money can be applied to fines and costs.

The basic financial statement section also includes notes that help to explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required and other supplemental information that further explains and supports the information in the financial statements.

Condensed Financial Information

The table on the next page provides key financial information for the General Fund in a condensed format, in thousands of dollars.

State of Michigan 4 I-B Judicial District Court

Management's Discussion and Analysis (Continued)

Assets	\$ 2,447
Liabilities	
Current	712
Long-term	<u>133</u>
Total liabilities	<u>845</u>
Net Assets	
Reserved for:	
Building construction	1,568
Debt payments	<u>34</u>
Total net assets	<u><u>\$ 1,602</u></u>
Revenue	
Fines and fees	\$ 1,689
Building fund contributions and fines	1,568
Other	<u>99</u>
Total revenue	3,356
Expenses - Court services	<u>1,754</u>
Change in Net Assets	<u><u>\$ 1,602</u></u>

The Court as a Whole

- The Court became independent on July 1, 2006. Once independent, the funding units paid over to the Court \$1,220,733 of the Court's accumulated Building Fund revenue retained by the funding units from previous years. The major source of revenue for this six-month reporting period was fines and fees revenue, totaling \$1,688,739 and representing 50 percent of total revenue.
- The Court has experienced significant changes with the merging of the Mount Clemens and Clinton Township Court personnel. Before the merger, the Courts operated separately, resulting in many differences such as dissimilar pension plans, varied employee benefits, and even different working hours. Administration and union representatives have spent many hours negotiating these differences in order to unify the Court. The result has been a more efficient and congruent 4 I-B District Court.

State of Michigan 4 I-B Judicial District Court

Management's Discussion and Analysis (Continued)

- The Court eagerly awaits the completion of its new court building tentatively scheduled for January 2008. This capital project was funded with a \$13,500,000 bond issue to be repaid over 25 years. The Court will pay the biannual bond payments from operational funds; if payment becomes impossible in any one year, the funding units will pay the difference on a pro rata basis. Once the debt is paid off in 2031, ownership will be shared by the three funding units.
- Wages continue to be a significant cost for the Court, representing 60 percent of the Court's total expenditures. The Court continues to streamline operations through various means, including attrition to reach its optimal staffing level.
- Under this new joint venture, the Court Management Council has instructed that expenses be divided among the three funding units on a pro rata basis in the event of a loss. This was not required as the Court did not incur a loss.
- The Court has set up a trust in which to begin funding future postemployment benefits. Management recognizes the advantage of funding these obligations as early as possible.

The Court Fund

Our analysis of the Court's major fund (General Fund) is included on the basic financial statements. The General Fund budget is prepared by the Chief Judge and approved by the three councils of the funding units.

This is the Court's first reporting period as a separate entity; therefore, beginning fund balance is zero. As the financial statements show, fund balance was increased by \$1,602,224; of this amount, \$1,568,234 represents Building Fund revenue reserved for building costs. The remaining \$33,990 is reserved for the payment of bonds beginning in 2007.

Court Budgetary Highlights

The Court continues to implement cost-saving strategies to minimize expenditures. As a result, the Court was significantly under budget across many line items. The Court held positions vacant as employees resigned or retired, resulting in savings in wages and applicable benefits. The credit card policy was changed, saving thousands in fees. Contractual and professional services were monitored and minimized whenever possible. In addition, the Court analyzed the revenue collection process and began an aggressive collections program in October 2006, which minimized the reduction in revenues.

Contacting Court Management

This financial report is intended solely to provide our funding units and citizens a general overview of the Court's finances and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administration.

State of Michigan 4 I-B Judicial District Court

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2006

	General Fund - Modified and Full Accrual Basis
Assets	
Cash and cash equivalents (Note 2)	\$ 2,355,447
Accounts receivable	46,844
Prepaid expenses and other assets	<u>44,717</u>
Total assets	<u><u>\$ 2,447,008</u></u>
Liabilities	
Accounts payable	\$ 32,091
Due to local governmental units:	
Charter Township of Clinton	306,129
City of Mount Clemens	203,496
County of Macomb	1,754
State of Michigan	68,588
Other accrued liabilities	44,007
Compensated absences due within one year	55,580
Compensated absences due in more than one year	<u>133,139</u>
Total liabilities	<u><u>\$ 844,784</u></u>
Net Assets - Reserved	
Building construction	\$ 1,568,234
Debt payments	<u>33,990</u>
Total net assets	<u><u>\$ 1,602,224</u></u>

State of Michigan 4 I-B Judicial District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Six Months Ended December 31, 2006

	General Fund - Modified and Full Accrual Basis
Revenue	
Fines and fees collected from within:	
Charter Township of Clinton	\$ 941,727
Charter Township of Harrison	26,847
City of Mount Clemens	720,165
Total fines and fees revenue	1,688,739
Building fund contributions from local governmental units	1,220,733
Building fund fines	347,501
Interest and dividends	27,074
State reimbursement - Judges' salaries	68,361
Other revenue	3,575
Total revenue	3,355,983
Expenditures	
Salaries and wages	1,042,179
Employee benefits	411,795
Contractual services	87,727
Professional services	78,985
Insurance	1,500
Printing, postage, and office supplies	69,856
Equipment services, leases, and maintenance	12,212
Travel, education, and training	8,706
Other expenditures	31,458
Jury and witness fees	9,341
Total expenditures	1,753,759
Excess of Revenue Over Expenditures	1,602,224
Fund Balance/Net Assets - July 1, 2006	-
Fund Balance/Net Assets - December 31, 2006	\$ 1,602,224

State of Michigan 4 I-B Judicial District Court

Fiduciary Funds Statement of Assets and Liabilities December 31, 2006

	Agency Funds - Bond
	<hr/>
Assets - Cash and cash equivalents (Note 2)	\$ 200,232
	<hr/>
Liabilities - Bonds payable	\$ 200,232
	<hr/>

State of Michigan 41-B Judicial District Court

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies

State of Michigan 41-B Judicial District Court (the "Court") became an independent entity as of July 1, 2006. The Court serves the City of Mount Clemens and the Charter Townships of Clinton and Harrison (the "Local Units"), which are members of the Court. The Court oversees and processes items relating to traffic violations, criminal and civil infractions, landlord tenant cases, and small claims filings. It also provides probation oversight and related services.

The accounting policies of State of Michigan 41-B Judicial District Court conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

Reporting Entity

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements. Because of the nature of the Court's operations, there are no differences between the methods. Nonetheless, the methods are described below for general information.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are no adjustments necessary to convert the Court to the full accrual basis of accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

State of Michigan 4 I-B Judicial District Court

Notes to the Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Court.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from the Court's share of fines and costs associated with the traffic and criminal divisions, filing fees assessed for civil and small claim filings, and probationary fees.

State of Michigan 4 I-B Judicial District Court

Notes to the Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Fund:

- **Bond Fund** - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, restitution payments, and refunds, as appropriate.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Compensated Absences (Vacation and Sick Leave) - It is the Court's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The Court charges the local governmental units for the sick and vacation pay when the expense is incurred in both the modified and full accrual financial statements. For purposes of the modified accrual statements, the revenue received from the local governmental units is deferred until the expense is paid to employees.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

State of Michigan 4 I-B Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 2 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated four banks for the deposit of its funds. The Court has adopted an investment policy in accordance with Public Act 196 of 1997 and the Court's deposits and investment policies are in accordance with statutory authority.

The Court's cash and investments are subject to custodial credit risk of bank deposits, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court's policy for custodial credit risk states that the Court will minimize credit risk by limiting investments to the safest types of securities and diversifying the portfolio so that potential losses on individual securities would be minimized. At December 31, 2006, the Court had approximately \$2,188,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

State of Michigan 41-B Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 3 - Budget Information

The annual budget is prepared by the Chief Judge of the Court and is submitted to the 41-B District Court Management Council for review and approval. Upon approval by the Council, the budget is submitted to the local units for approval. An affirmative majority vote by the local units is required to adopt the budget. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund basis. A comparison of actual results of operations to the General Fund budget as adopted by the local units is included in the required supplemental information. This comparison includes expenditure budget overruns.

Note 4 - Allocation to Local Units

The 41-B Judicial District Court judges and council members of the 41-B District Court Management Council have instructed that the expenses of the Court be divided among the three District Control Units in proportion to the volume of cases attributable to each District Control Unit. Fines and fees collected from within the local units are distributable to the local units net of their allocation of the Court's expenditures.

Note 5 - Postemployment Benefits

The Court provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. For the six months ended December 31, 2006, these benefits were provided through the Charter Township of Clinton and the City of Mount Clemens. Currently, eight court retirees are eligible for benefits through the Charter Township of Clinton, and nine retirees are eligible for benefits through the City of Mount Clemens. The Local Units include pre-Medicare retirees and their spouses, if eligible, in the insured health care plans, with no contribution required by the participant. The Local Units purchase Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. For the six months ended December 31, 2006, the Court incurred approximately \$230,000.

State of Michigan 41-B Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 5 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 6 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims.

Note 7 - Defined Benefit Pension Plan

Plan Description - During the six months ended December 31, 2006, Court employees participated in the defined benefit pension plans of the Local Units, including the Charter Township of Clinton and the City of Mount Clemens. The Charter Township of Clinton participates in the Municipal Employees' Retirement System of Michigan (MERS). As of December 31, 2006, 18 Court employees were eligible for this Plan. The City of Mount Clemens administers the City of Mount Clemens Employees' Retirement System. As of December 31, 2006, 21 Court employees were eligible. Both plans provide retirement, disability, and death benefits to plan members and their beneficiaries. In addition, MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917. The City of Mount Clemens Employees' Retirement System does not issue a financial report.

Funding Policy - The obligation to contribute and maintain MERS and the City of Mount Clemens Employees' Retirement System for these employees was established by negotiation with the affiliated community's competitive bargaining units.

State of Michigan 4 I-B Judicial District Court

Notes to the Financial Statements December 31, 2006

Note 7 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the six months ended December 31, 2006, the Court's annual pension cost totaled \$31,745 for employees participating in the MERS Plan, and \$44,007 for employees participating in the City of Mount Clemens Employees' Retirement System, which was equal to the Court's required actual contribution for each plan. The annual required contribution for Court employees participating in the MERS plan was determined as part of an actuarial calculation dated March 31, 2005; for employees participating in the City of Mount Clemens Employees' Retirement System, the annual required contribution was determined as part of an actuarial valuation dated June 30, 2005.

Effective January 1, 2007, all active Court employees will participate in the MERS plan.

Required Supplemental Information

State of Michigan 4 I-B Judicial District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Six Months Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue				
Fines and fees	\$ 2,061,543	\$ 2,061,543	\$ 1,688,739	\$ (372,804)
Building Fund contributions from local units	-	-	1,220,733	1,220,733
Building Fund fines	393,081	393,081	347,501	(45,580)
Probation, interest, and other revenue	17,000	17,000	99,010	82,010
Total revenue	2,471,624	2,471,624	3,355,983	884,359
Expenditures				
Salaries and wages	802,072	1,056,038	1,042,179	13,859
Bond payments	434,000	434,000	-	434,000
Employee benefits	536,532	429,906	411,795	18,111
Contractual services	105,000	105,000	87,727	17,273
Professional services	68,000	108,500	78,985	29,515
Insurance	1,500	1,500	1,500	-
Printing, postage, and office supplies	78,800	78,800	69,856	8,944
Equipment services, leases, and maintenance	20,000	20,000	12,212	7,788
Travel, education, and training	17,000	17,000	8,706	8,294
Other expenditures	36,900	49,060	31,458	17,602
Jail, jury, and witness fees	8,500	10,500	9,341	1,159
Total expenditures	2,108,304	2,310,304	1,753,759	556,545
Excess of Revenue Over Expenditures	\$ 363,320	\$ 161,320	\$ 1,602,224	\$ 1,440,904

Other Supplemental Information

State of Michigan 4 I-B Judicial District Court

Other Supplemental Information Schedule of Net Asset Reservation - General Fund Year Ended December 31, 2006

Net Asset Reservation for Building Construction

Contribution from local governmental units	\$ 1,220,733
Additions - Building Fund fines	<u>347,501</u>
Ending building construction fund balance	<u><u>\$ 1,568,234</u></u>



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August 16, 2007

To the Honorable Judges of the
State of Michigan
41-B Judicial District Court
40700 Romeo Plank
Clinton Twp., MI 48038

Dear Honorable Judges:

We recently completed our audit of the basic financial statements of the State of Michigan 41-B Judicial District Court for the six months ended December 31, 2006. As a result of our audit, we have the following comments for your review and consideration.

Financial Condition and Future Funding

For the six months ended December 31, 2006, General Fund revenues exceeded expenditures by approximately \$1,602,000, which primarily resulted from the Building Fund contributions from the local governmental units of \$1,221,000. Fund balance in the General Fund totaled approximately \$1,602,000, with \$1,568,000 reserved for building construction and \$34,000 reserved for debt payments.

Defined Benefit Pension Plan

Since the Court has begun participating in MERS, it is our understanding that an actuarial report is required at least every two years to determine the annual required contribution to the plan. We recommend the Court obtain an updated actuarial valuation in the coming months.

Retiree Health Care Benefits

As you are aware, the Court provides postemployment benefits for all eligible employees that are funded currently from the General Fund. For the six months ended December 31, 2006, the cost of these benefits amounted to approximately \$230,000.

As you are aware, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.



August 16, 2007

The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to the current accounting for the pension systems, the new pronouncement will require the Court to obtain an actuarial valuation of the obligation to provide retiree health care benefits. In addition, the Court's funding status, or the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, we recommend that the Court make an annual contribution equal to the amount that the actuary deems necessary to fund the liability. The changes required under GASB Statement 45 will be effective in 2009. We would be happy to assist the Court in further understanding the provisions of GASB Statement 45 as the implementation date draws nearer.

New Auditing Standards

The American Institute of Certified Public Accountants issued several new Statements on Auditing Standards (SAS) during 2006 that will be effective for the Court's 2007 audit. These new standards (SAS 104 through 111) are collectively referred to as the "Risk Assessment" audit standards because they will substantially affect the auditing process by enhancing the auditor's application of audit risk assessment. The new standards require auditors to perform the following:

- Obtain a more in-depth understanding of the Court and its internal control environment to identify the risks of material misstatement in the financial statements and what the Court is doing to mitigate them
- Perform a more rigorous assessment of the risks of material misstatement of the financial statements based on that understanding
- Improve the linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks

While Plante & Moran, PLLC has historically used a risk-based audit approach with audit programs that are tailored to each client, the new standards will require some revision to our approach and documentation. We are currently in the process of updating our audit programs and processes to comply with the new standards. We will continue to keep you apprised of the practical implications these changes will have on your accounting department in their preparation for our audit.

To the Honorable Judges of the
State of Michigan
41-B Judicial District Court

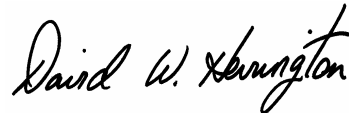
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August 16, 2007

We would like to thank the Court's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The script is cursive and fluid.

David W. Herrington

A handwritten signature in black ink that reads "Dana M. Coomes". The script is cursive and fluid.

Dana M. Coomes